



CITY OF FALLS CHURCH

MEMORANDUM

DATE: October 8, 2009

TO: Mayor and Members of City Council
Chairman and Members of the School Board

FROM: John Tuohy, Chief Financial Officer

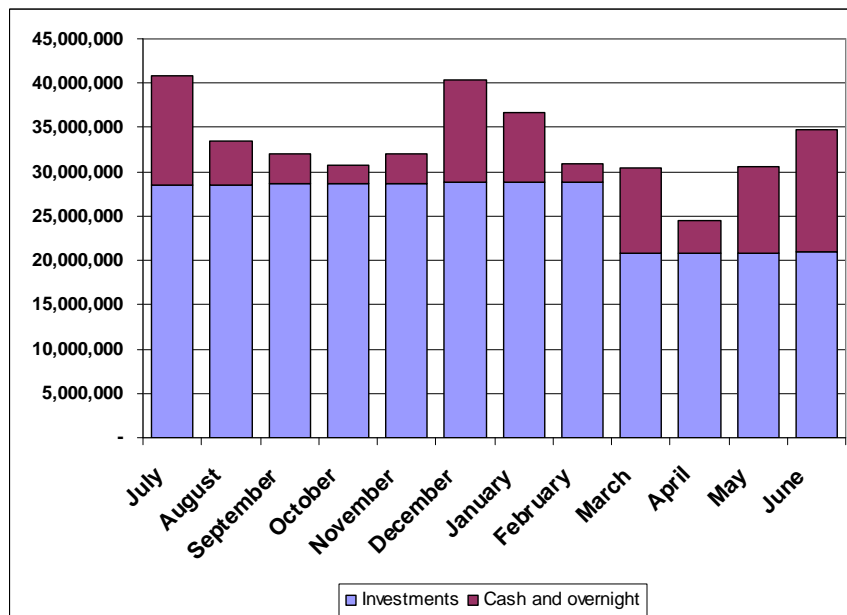
Through: Wyatt Shields, City Manager

SUBJECT: Responses to Questions

Council members and School Board members requested additional information at, and subsequent to, the worksession on October 5. The following are the answers to questions received to date:

Q1: What was the City's cash balance at June 30 and what have the cash balances been historically?

A: The graph below shows the City's cash and investment balances at each month end during FY2009. The pension funds and the School's balances for cafeteria, day care and activity funds are kept separately and are not included in these balances.



The balance at June 30, 2009 was \$34.8 million of which \$2.2 million was in the School's operating fund, \$9.4 million for General Government, and \$23.2 million was for the water and sewer funds.

Cash balances increase in November/December and May/June due to real estate tax billings. Personal property collections take place in September and business licenses in February. There are no major collections in March or April; therefore cash balances decrease by the largest amount during that time period.

Q2: What are the individual elements that make up the FY2010 Real estate tax estimate?

A: The table below breaks out the elements and describes the assumptions used. It is assumed that the continued slowdown in the economy, especially as it relates to commercial properties, will result in an increase in uncollected accounts and an increase in appeals to the Board of Equalization.

Actual Billing, June 2009 (1 st half and second half are identical)	\$ 17,391,634.00
1 st Half 2010 estimated at 7.5% decrease from 2009	16,087,261.45
Less estimated uncollected, based on August 2009 uncollected from 1 st half 2009	*(400,000)
Less abatements, assuming appeals result in more abatements than new construction yields in supplemental assessments	(100,000)
Recalculated FY2010	<u>32,978,895.45</u>
Original budget	<u>37,122,016.00</u>
Difference	<u>(4,143,120.55)</u>

* since taxes constitute a priority lien on real property, delinquencies will eventually be collectible, however in the short term an allowance must be made to recognize the delay between the due date and the eventual collection.

Q3: What are the elements that make up the total FY2009 revenue variance?

A: The table below shows the revenue categories and variances from the adopted budget. This taken from the Statement of Revenues and Expenditures provided in the Council packet for October 5.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Property Taxes	41,144,936	38,456,942	(2,687,994)
Other local taxes	10,462,200	7,820,591	(2,641,609)
Permit, privilege fees, and regulatory licenses	4,123,586	3,263,907	(859,679)
Fines and forfeitures	879,500	542,632	(336,868)
Revenue from use of money and property	657,800	76,788	(581,012)
Charges for services	2,277,542	2,402,186	124,644
Miscellaneous	60,000	106,182	46,182
Gifts and contributions	696,962	1,063,950	366,988
Recovered costs	1,416,761	1,432,480	15,719
Transfer from Enterprise Fund	2,844,582	2,375,000	(469,582)

Intergovernmental:

Commonwealth	3,651,794	4,013,417	361,623
Federal	<u>733,811</u>	<u>310,570</u>	<u>(423,241)</u>
Total Revenues	<u>68,949,474</u>	<u>61,864,644</u>	<u>(7,084,830)</u>

For the sales tax shortfall, \$1.4 relates to the one time loss of revenue do to recapture of three years worth of sales receipts located in Fairfax County, but paid to the City by the state department of taxation. The remainder relates current year's loss from the correction and to the decline due to the slow down in business activity.

Q4: What were the elements of the FY2009 fund balance computation and how was the amount needed to reach the 8% policy amount computed?

A: The table below traces the ending fund balance from FY2008 to FY2009. The second table breaks out the elements of fund balance between reserved amounts and the residual unreserved. The third then computes the amount needed to reach the unreserved balance required under Council policy.

Fund Balance 6/30/2008	11,325,382
Use - CIP, capital	2,175,258
Use - Land purchase	650,000
Budget shortfall	<u>4,195,998</u>
Ending fund balance	<u>4,304,126</u>
Unrestricted fund balance	
6/30 fund balance	4,304,126
Open Purchase Orders*	1,100,000
Prepaid Expenses	200,000
Designated for land purchase	<u>101,000</u>
Unrestricted 6/30	<u>2,903,126</u>
Computation of 8%	
Operating revenues	59,489,644
Water fund transfer	<u>2,375,000</u>
total revenues	<u>61,864,644</u>
	<u>8% of revenues</u>
	<u>4,949,172</u>
needed = 8% requirement less unrestricted at 6/30	<u>2,046,046</u>

*Open PO's have been reviewed and determined to be required.

Q5: Please provide assumptions for the FY2010 revenue projections. Are there any expenses that will be lower as a direct result of lower revenues?

A: The assumptions regarding real estate are shown above in the response to question 2. Revenues based on commercial activity, such as sales taxes, business licenses and the like, have been adjusted downward based on actual receipts since the FY2010 budget was adopted. Revenues from the red light camera program have been adjusted downward on the assumption that the program will be in operation for the last quarter of the fiscal year. The only expenses that will decrease as a direct result of lower revenues are those associated with the red light camera program.

Q6: Does the debt service “on hold” amount shown in the CIP figure in the bottom line?

A: No. It is unlikely that the City will undertake any debt funded projects during the current fiscal year. In addition, any debt issued during the fiscal year will not result in debt service expense until the subsequent fiscal year.

Q7: The slide on “Property Tax Shortfall Summary” shows \$5.1 million in unobligated CIP funds, and this doesn’t match the \$5,243,762 on the later slide.

A: The \$5,243,762 is the correct figure. The slides are now in agreement and posted on the City website.

Q8: There is a difference on the Technology CIP slide—the support document shows no “remaining post hold” for document management.

A: The slide has been updated and posted on City website to show the remaining is \$0.

The Council and School Board will receive additional updates as more requests for information are received.